



"Between 2004 and 2005, total trade through the Los Angeles Customs District increased from \$323 billion to \$348 billion, a new record level."



THE ECONOMY

Employment

Total Employment

Why is this important?

The number, types and wage level of employment in large part determine our region's economic activities and well-being. Income generated through employment accounts for about 70 percent of the total personal income in the region.¹

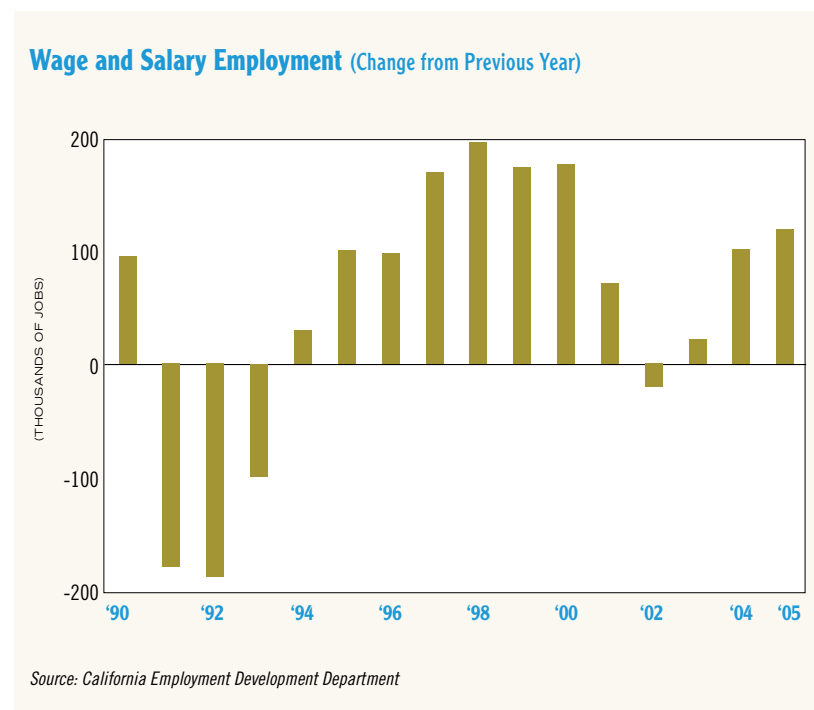
How are we doing?

In 2005, the regional job market continued to show a broad-based expansion over the previous year (Figure 7). After gaining about 100,000 jobs (or 1.5 percent) in 2004, total wage and salary jobs

in the region increased by almost 120,000 (1.7 percent) during 2005. *The increase in 2005 was the highest since 2000 in terms of growth rate and number of new jobs.*

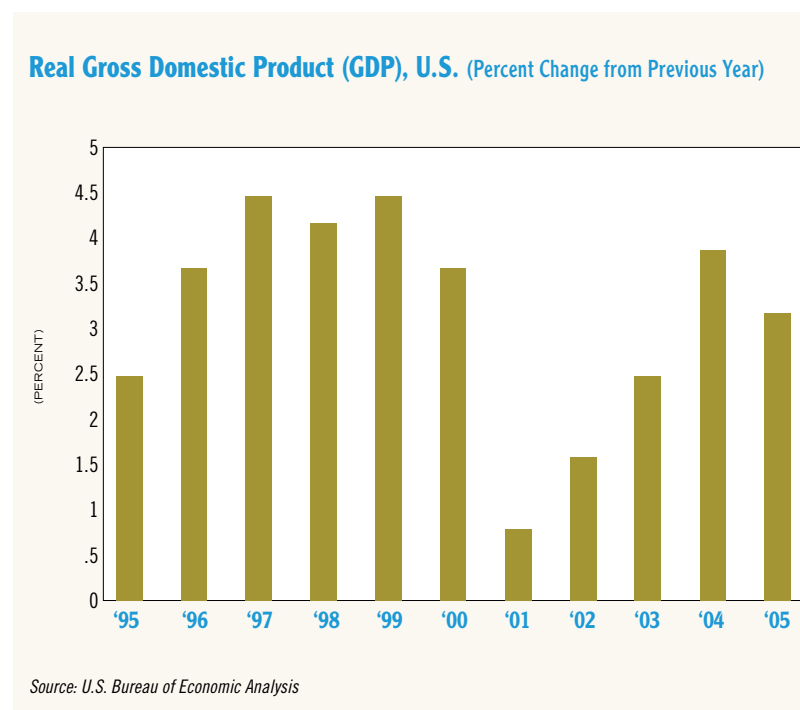
The year 2005 was also the second consecutive year since 2000 that job gains took place at the national level. Since the end of the 2001, growth of the real gross domestic product (GDP) has been recovering. After dropping from 3.7 percent in 2000 to 0.8 percent in 2001 due to the recession, real gross domestic product (GDP) increased at an accelerated pace from 1.6 percent in 2002 to an impressive 3.9 percent in 2004 (Figure 8). *During 2005, damages from major hurricanes (Katrina and Rita), surges in energy prices and consecutive rises in interest rates slowed the growth of real GDP to 3.2 percent, though still higher than the 3-percent average during an economic expansion period.*

Figure 7



Consumer energy prices increased about 21 percent in 2005, following an 18-percent increase in 2004. *An increase in energy prices slows economic growth in the short run primarily through its effects on spending, or aggregate demand.* Because the United States imports most of its oil, an increase in oil price will lead to reductions in domestic spending. At the same time that higher

Figure 8



oil prices slow economic growth, they also create inflationary pressures that could further reduce the demand.

The increase in real GDP in 2005 was primarily due to the continuing growth in consumer spending and private investment, though at lower rates than that in the previous period. Real consumer spending increased by 3.5 percent

Figure 9

Wage and Salary Employment (Thousands)

COUNTY	1990	2000	2003	2004	2005	2003-2004		2004-2005	
						Number	Percent	Number	Percent
Imperial	44.9	50.4	51.9	51.3	54.2	-0.6	-1.2	2.9	5.7
Los Angeles	4,149.5	4,079.8	3,990.8	4,004.1	4,024.1	13.3	0.3	20.0	0.5
Orange	1,179.0	1,396.5	1,436.2	1,463.4	1,496.2	27.2	1.9	32.8	2.2
Riverside/San Bernardino	735.1	1,010.1	1,119.7	1,178.7	1,235.4	59.0	5.3	56.7	4.8
Ventura	247.0	294.3	304.4	306.9	313.8	2.5	0.8	6.9	2.2
REGION	6,355.5	6,831.1	6,903.0	7,004.4	7,123.7	101.4	1.5	119.3	1.7
Rest of California	6,507.9	8,065.6	7,866.7	7,904.7	8,015.0	38.0	0.5	110.3	1.4
California	12,863.4	14,896.7	14,769.7	14,909.1	15,138.7	139.4	0.9	229.6	1.5
U.S.	109,403.0	131,785.0	129,999.0	131,435	133,463.0	1,436.0	1.1	2,028.0	1.5

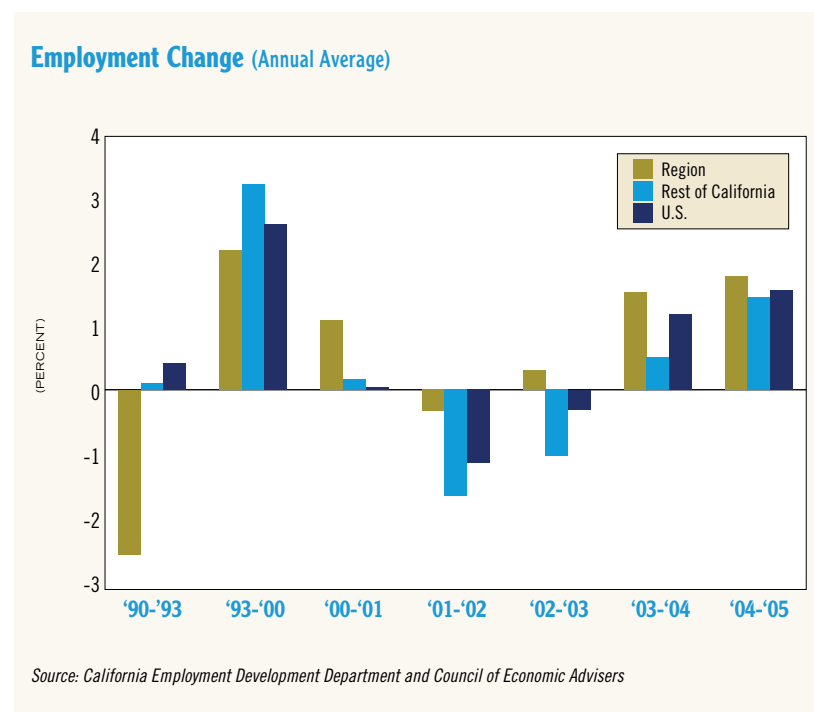
Source: California Employment Development Department, Council of Economic Advisers.

between 2004 and 2005, slightly less than the 3.9 percent increase during the previous period.² Consumer spending has continued to be fueled by the rebound in household wealth from the significant increase of home equity. Nationally, household wealth at the end of 2005 was about 18 percent higher than it was at the peak of the stock market bubble in 2000. Rising home equity has accounted for about half of the increase.³ As to the private non-residential investment, it increased by 6.8 percent after a 5.9-percent increase in 2004. Private residential investment achieved an 8.6 percent increase in 2005 after an almost 10-percent increase in 2004. From 2004 to 2005, productivity growth slowed from 3.4 percent to 2.9 percent, though remaining well above its historical average. In 2005, even with the slightly lower growth

rate of real GDP than in 2004, the lower rate of productivity growth resulted in the slightly higher rate of job growth.

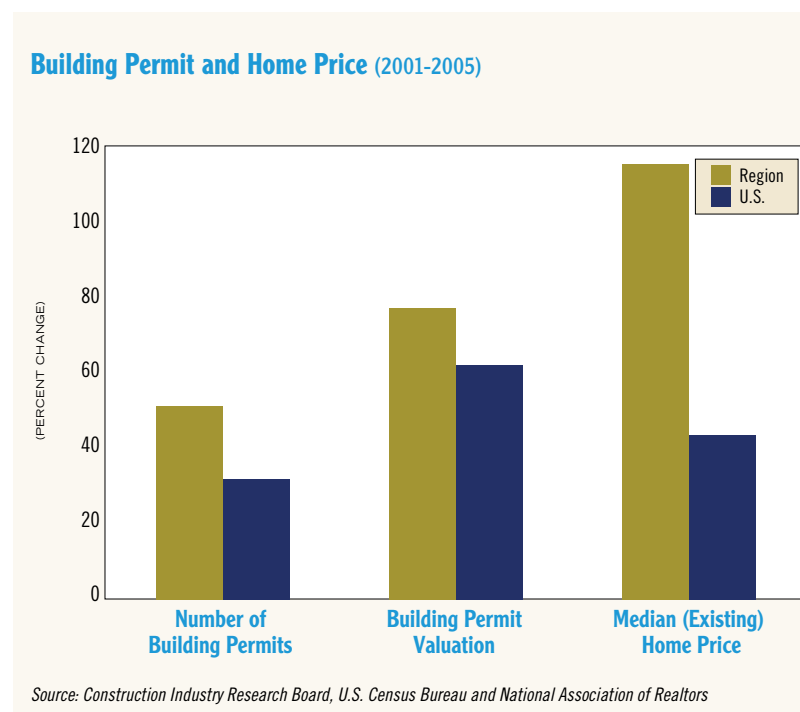
In 2005, the region achieved a slightly higher rate of job growth (1.7 percent) than the rest of the state (1.4 percent) and the nation (1.5 percent) (Figure 9). Between 2000 and 2005, the SCAG region performed better every year in job growth rates relative to the rest of the state and the nation (Figure 10). Between 2004 and 2005, about 2 million jobs were added nationally and since early 2005 the job base expanded from the pre-recession (2000) level, making the period between late 2001 and early 2005 the longest for a full job recovery in the nation's history. However, total employment for the rest of California in 2005 was still below the pre-recession (2000) level.

Figure 10



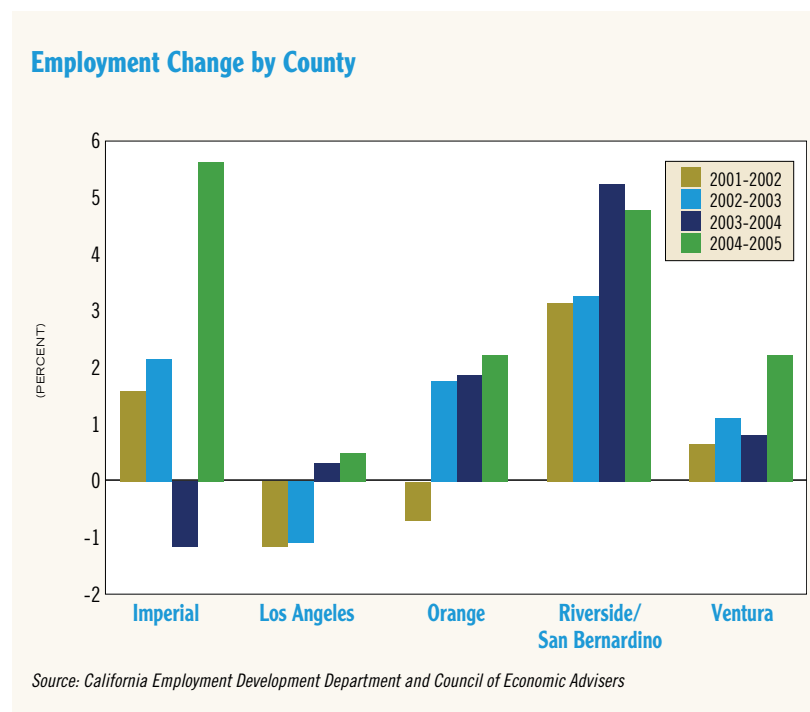
All the national trends discussed above also affected the pace of job recovery in Southern California. In addition, *housing-related sectors contributed much more significantly to the job growth and economic expansion in the SCAG region than in the rest of the nation (Figure 11)*. Between 2001 and 2005, median (existing) home price in the region increased by 114 percent, almost tripled the national rate. During the same period, building permits valuation in the

Figure 11



region increased by 76 percent, also higher than the 61 percent in the nation. Hence, the impacts from both housing wealth (due to higher home equity) and housing construction on job growth were disproportionately higher in the region than in the rest of the nation. Between 2001 and 2005, Southern California also had higher rates of population growth than the rest of the nation, which contributed to job growth in sector such as retail trade.

Figure 12



Within the region, every county increased its total number of payroll jobs in 2005. The Inland Empire (Riverside and San Bernardino counties) continued to be the region's leading job generator, accounting for 48 percent of the total job increases. Jobs in the Inland Empire in 2005 increased by almost 57,000 (or 4.8 percent), slightly less than the 59,000 job increase (5.3 percent) during

the previous period. Job increases in the Inland Empire were concentrated in the retail trade, construction, and professional and business services.

In Orange County, after gaining 27,000 jobs (or 1.9 percent) in 2004, total payroll jobs increased by another 33,000 (or 2.2 percent) in 2005. Between 2001 and 2004, financial activities were the top new job generator in Orange County each year. In 2005, professional and business services added 12,000 jobs, replacing financial activities (adding 6,000) as the top job generator.

After gaining 13,000 jobs (0.3 percent) in 2004, Los Angeles County gained another 20,000 jobs (0.5 percent) in 2005, the second consecutive increase since 2001 (Figure 12). Nevertheless, total jobs in Los Angeles County in 2005 were still 125,000 below the 1990 level. Job growth in professional and business services, construction and retail trade offset losses in manufacturing and information sectors.

In Ventura County, total payroll jobs increased by almost 7,000 (2.2 percent) in 2005, an improvement from a modest 0.8 percent increase during the previous period. Finally, Imperial County's payroll jobs increased by 2,900 (5.7 percent) after a 1.2 percent decline in the previous period. Job increase took place primarily in the agricultural, retail trade and government sectors.

Employment by Sector

Why is this important?

Different economic sectors have different levels of wages as well as future growth potential in employment and income. Composition of occupations also varies among the different economic sectors. A more diversified regional economy will be less vulnerable to turbulent environments, such as recessions or disasters.

How are we doing?²⁴

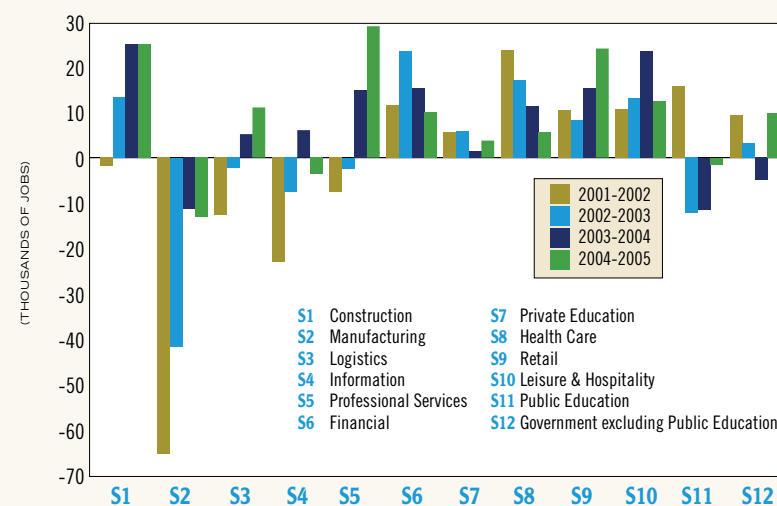
Between 1990 and 2005, total payroll jobs in the region increased from about 6.4 million to 7.1 million. In 2005, professional and business services was the largest sector with more than 1 million jobs. It also increased its job share in the region from 12.6 percent in 1990 to 14.4 percent in 2005. In contrast, the share of manufacturing jobs in the region decreased significantly from 18 percent to 11.6 percent during the same period. Other sectors that experienced noticeable increases in their job shares included health care, leisure and hospitality and public education.

In 2005, nine of the region's twelve major economic sectors experienced job increases (Figure 13). Only three sectors suffered job losses: manufacturing, information and public education. The top three job generators in 2005 included professional and business services, construction and retail trade. Except for construction, the other two sectors continued to expand at a faster pace than in the previous year. The professional and business services sector includes legal, accounting,

architecture, design, advertising and consulting services. It was the top job producer in 2005, increasing 29,000 jobs (3 percent). This almost doubled the gains in 2004 of 15,000 jobs (1.6 percent), after two consecutive years of combined losses of 10,000.

Figure 13

Employment Change by Selected Sectors (2001-2005)



Note:

Financial = Finance, Insurance and Real Estate

Logistics = Wholesale Trade, Transportation and Warehousing

Information Sector includes communications, publishing, motion picture production and internet service providers

Source: California Employment Development Department

The construction sector increased another 27,000 jobs in 2005, similar to the level in the previous year. Forty percent of the increase took place in the Inland Empire. The rate of increase of 7.4 percent, though less than the 8 percent growth in 2004, was by far the highest among the twelve sectors followed by the retail trade (3.1 percent) and professional and business services (3 percent).

In 2005, retail trade increased by more than 24,000 jobs (3.1 percent), more than doubled the gains of 11,000 (1.1 percent) just two years ago. Some of the gains in retail trade employment are related to the active housing market including furniture, building materials and garden equipment supplies. Auto dealerships posted healthy employment gains, as did grocery stores and clothing stores. Retail trade is primarily a population-serving sector. With an increase of more than 1.5 million residents since 2000, retail trade has been growing steadily throughout the recession and recovery.

The logistics sector includes wholesale trade, transportation and warehousing that have particularly strong ties to the region's foreign trade activities. Transportation and warehousing includes truck, rail and air transportation, couriers and messengers, support services for transportation, and warehousing and storage. In 2005, the logistics sector provided about 600,000 jobs, or one in twelve jobs in the region. Among the total logistics jobs in the state, more than 54 percent were in Southern California. In 2005, the logistics sector added almost 12,000 jobs (2 percent), continuing to expand at a faster pace after its recovery in the previous year. Warehouse and distribution uses occupy over 1.5 billion square feet of building space in the region of which



60 percent are in Los Angeles County. The 1.5 billion square feet represent 15 percent of the national market, or 60 percent of the entire west coast. Another 32 million square feet of building space are under construction of which 67 percent are in the Inland Empire and 27 percent are in Los Angeles County. As land has become scarce closer to the Los Angeles basin, large new

facilities are being constructed in cities further east such as Moreno Valley, Fontana and Perris, and along I-15 toward Las Vegas.⁵ Due to the projected significant increase in foreign trade, total jobs in the logistics sector in the region are estimated to increase another 120,000 over the next 10 years.⁶

Three sectors including leisure and hospitality, financial activities and health care continued to expand during 2005, though at lower levels than in the previous year. After increasing 24,000 (3.5 percent) jobs in 2004, the leisure and hospitality sector added another 12,000 (1.8 percent) in 2005. Between 2004 and 2005, international air passenger traffic increased from 16.6 million to 17.6 million, a 6-percent increase, after a 13-percent gain during the previous period. The region has not seen significant increases in the construction of new hotels, and occupancy rates and the average daily room rates were up throughout the region in 2005.

Financial activities sector increased by 11,000 (2.5 percent) jobs in 2005, moderating from almost 16,000 (3.7 percent) in 2004 and 24,000 (5.8 percent) in 2003. Specifically, growth in Orange County slowed down significantly, from an increase of 10,000 (8.2 percent) in 2004 to 6,000 (4.5 percent) in 2005. Growth in the financial activities sector also slowed in the Inland Empire counties. These counties tend to be tied more closely to the housing market (than Los Angeles County) that cooled down somewhat in 2005. Job gains in the health care sector slowed significantly to only 4,500 jobs in 2005 after averaging almost 18,000 for the previous three years. Much of the gains experienced last year were in outpatient health care service employment.



Due to the improved economy, the government sector (excluding education) experienced a clear rebound, turning a loss of 5,000 jobs in 2004 to add almost 10,000 jobs in 2005. The public education sector also reduced its loss of 11,000 in 2004 to less than 2,000 in 2005.

The only sector that shifted from job gains to losses in 2005 was the information sector. After gaining almost 8,000 jobs (3 percent) in 2004, the information sector lost 3,500 jobs (1.3 percent) in 2005. The motion picture and sound recording subsector posted a loss of 1,350 jobs reflecting a more competitive environment for movie locations.

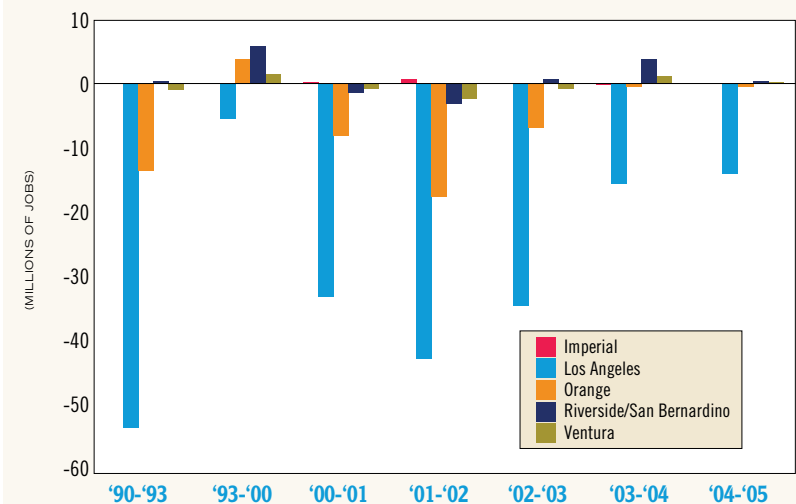
Manufacturing Sector

Between 2000 and 2003, manufacturing employment at the national level dropped from 17.2 to 14.3 million, a loss of almost 3 million jobs. Between 2003 and 2005, losses were almost stopped. In the SCAG region, it has lost almost 330,000 manufacturing jobs since 1990, most of them (280,000) in durable manufacturing. Between 1990 and 1993, the manufacturing sector in Southern California lost an average of 56,000 jobs per year (Figure 14). After some recovery from 1994 to 1998, it began to decline again. Since 2004, losses in manufacturing began to stabilize. In 2005, the region lost almost 14,000 (1.7 percent) manufacturing jobs, somewhat more than the 12,000 loss in 2004. The vast majority (10,000) of the manufacturing job losses were in non-durable manufacturing that experienced a 3-percent decline in 2005. Job losses were concentrated in the apparel industry that shed almost 4,000 jobs in Los Angeles County alone. The apparel industry is one of the low-wage sectors within manufacturing where U.S. labor faces significant competition from developing countries. Losses in the durable manufacturing sector fell to less than 1 percent in 2005, a significant improvement from the 5.6 percent in 2003. Manufacturing job losses in the region concentrated almost exclusively

in Los Angeles County while the Inland Empire and Ventura County maintained the same level of manufacturing employment in 2005 as in 2004. It should be noted that in 2005 the region continued to be the largest manufacturing center in the nation.

Figure 14

Manufacturing Employment Change (Annual Average)



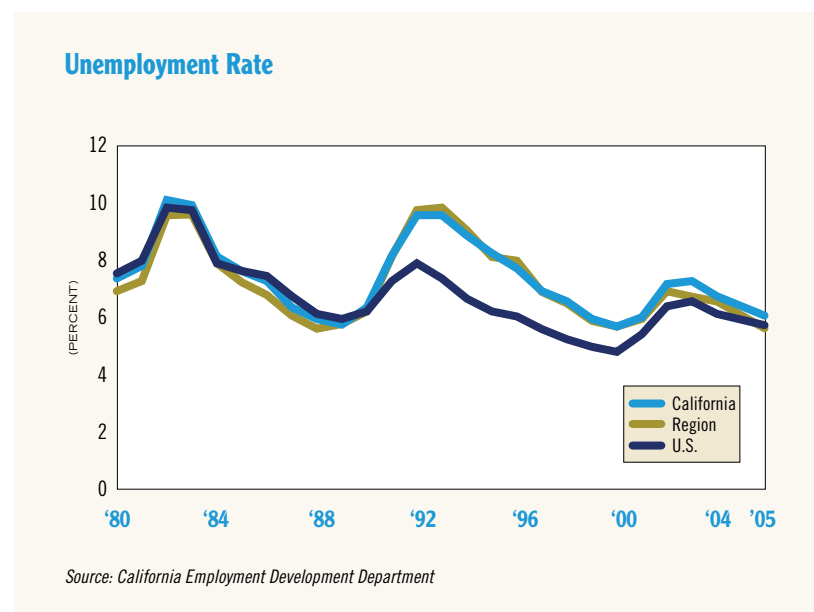
Source: California Employment Development Department

Unemployment

Why is this important?

Unemployment significantly impacts the economic and social well-being of individuals and families. Groups with higher unemployment rates will naturally have higher poverty rates. Places with higher unemployment rates require higher levels of public assistance.

Figure 15



How are we doing?

In 2005, the region achieved its lowest unemployment rate (5 percent) since 1988, and a slightly lower unemployment rate than the national average, the first time since 1990. From 2004 to 2005, the unemployment rate in the region dropped from 6 percent to 5 percent. During the same period, the unemployment rate declined from 5.5 to 5.1 percent nationally, while it dropped from 6.2 to 5.4 percent in the state (Figure 15).

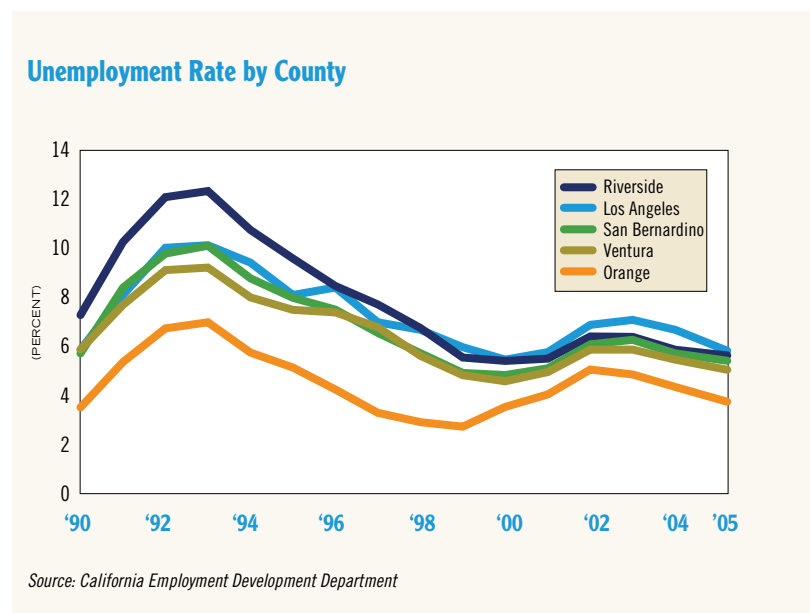
In 2005, the unemployment rate declined by at least 0.6 percent in every county in the region. Notably, the unemployment rate in Los Angeles County dropped by 1.3 percent, from 6.6 percent to 5.3 percent (Figure 16). Imperial County has historically experienced much higher unemployment rates than the rest of the SCAG region (Figure 17). In 2005, its unemployment rate at 15.8 percent represented an improvement from the 17.4 percent in the previous year. At 3.8 percent, Orange County had the lowest unemployment rate in the region in 2005 and one of the lowest in the nation. Ventura County had a 4.7 percent unemployment rate, the second lowest in the region.

Average Payroll per Job

Why is this important?

The average payroll per job provides an indication of the overall quality of jobs available in the region. Higher average payroll per job contributes to higher per capita income.

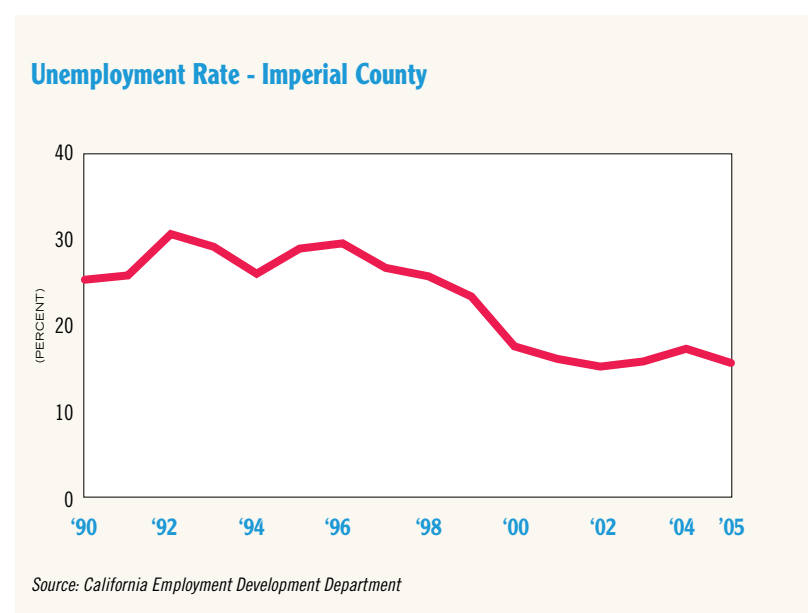
Figure 16



How are we doing?

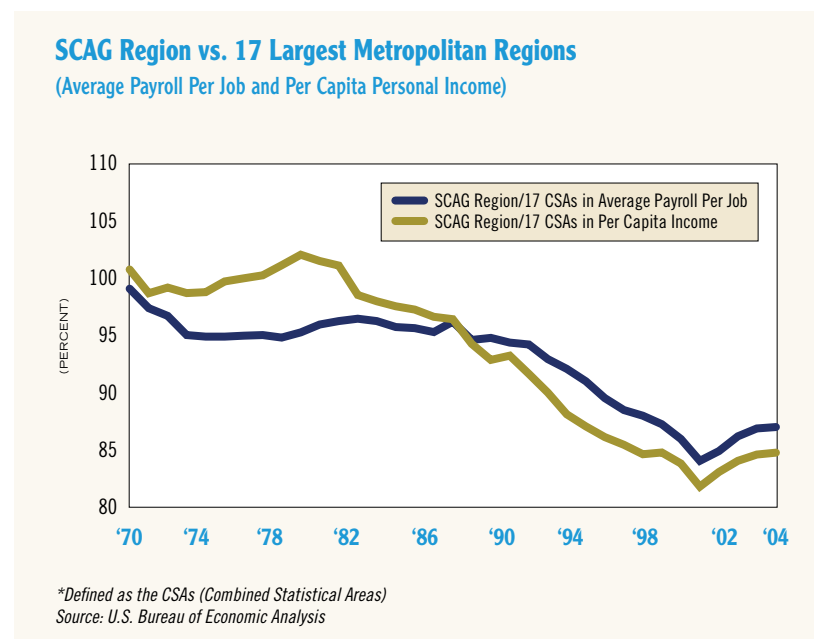
In 2005, based on preliminary data, the average payroll per job in the region was \$44,390, a decline of 1.6 percent from 2004 after adjusting for inflation.⁷ This was the first decline after two consecutive years of improvements. The information sector continued to have the highest average payroll per job (\$76,920) followed by financial activities (\$71,980). Leisure and hospitality had the lowest average payroll per job (\$23,730) followed by retail trade (\$28,880).

Figure 17



In 2004, the average payroll per job in the region increased by 1.7 percent from the previous year after adjusting for inflation, following a modest improvement of 0.6 percent in 2003. Between 2003 and 2004, each of the nine largest metropolitan regions achieved increases in their average payrolls per job in contrast to the previous period during which three regions suffered losses (see Figure 83 page 151). The rate of increase in the SCAG region (1.7 percent) was slightly below the average of the 17 largest metropolitan regions at 2.3 percent.

Figure 18



Prior to 1987, the SCAG region maintained an average payroll per job at or above 95 percent of the average of the 17 largest metropolitan regions (Figure 18). Between 1987 and 2000, it declined relative to the average of the 17 largest metropolitan regions from just 95 percent to 84 percent. During the recent recession (particularly between 2000 and 2003), several of the largest metropolitan regions, including San Francisco Bay Area, New York and Boston, experienced much larger losses in average payroll per job than

the SCAG region. Hence, from 2000 to 2004, average payroll per job in the SCAG region relative to the average of the 17 largest metropolitan regions improved from about 84 percent to 87 percent.⁸

In 2004, the SCAG region ranked last in average payroll per job at about \$42,900 among the nine largest metropolitan regions (see Figure 84 page 152). The San Francisco Bay Area managed to achieve an impressive increase (4.7 percent) in 2004, rebounding from a sharp decline of equal magnitude just two years ago. The San Francisco Bay Area continued to have the highest average payroll per job at approximately \$56,000 in 2004, followed by the New York region at about \$54,000.

Income

Why is this important?

Real personal income per capita (with inflation adjustment) is one of the most important indicators of economic well-being. An increase in real per capita income is generally associated with improving social and economic indicators such as reduced poverty and an increase in educational attainment. Median household income reflects the well-being of households that are in the median position – their incomes are higher than half of the total households but lower than the other half. Total personal income provides an indication of an area's consumption capacity as well as the strength of its economy.

How are we doing?

In 2005, due to the continued economic recovery and expansion, real personal income per capita achieved increases for the nation (1.2 percent to reach \$34,586) as well as the state (1.4 percent to reach \$37,036). The increases were parallel with the improvements in the job market. The improvements in 2005 were only the second time since 2000. However, the growth rates were only about half of those during the previous period at the national (2.3 percent) and state (2.7 percent) levels respectively.

Official data for real personal income per capita for the region will not be released until May 2007. Since 1992, per capita income in the region has been tracking closely that of the nation (Figure 19). In addition, since the 2001 recession, the per capita income growth has begun to converge among the SCAG region, California and the nation. Consequently, real per capita income in the region in 2005 was estimated to achieve a similar pattern of growth, up to 1 percent or half of the growth rate in 2004 to reach \$34,990 (Figure 20). Nevertheless, this would still represent the first consecutive gain in the region since 2000.

In 2004 (the most current official data available at the regional level), the region's real personal income per capita of \$33,165 was a 2 percent increase from the 2003 level. This represented the first gain after two consecutive years of losses in real per capita income. Between 2003 and 2004, each of the nine largest metropolitan regions in the nation (except Detroit) experienced a significant recovery of their per capita income. Notably, per capita income in the San Francisco Bay Area increased by 4.5 percent, rebounding from a 1.1-percent

loss in the previous year. The region (2 percent) performed about the same as the average (2.2 percent) of the nine largest metropolitan regions in the nation (see Figure 85 page 152).

Figure 19

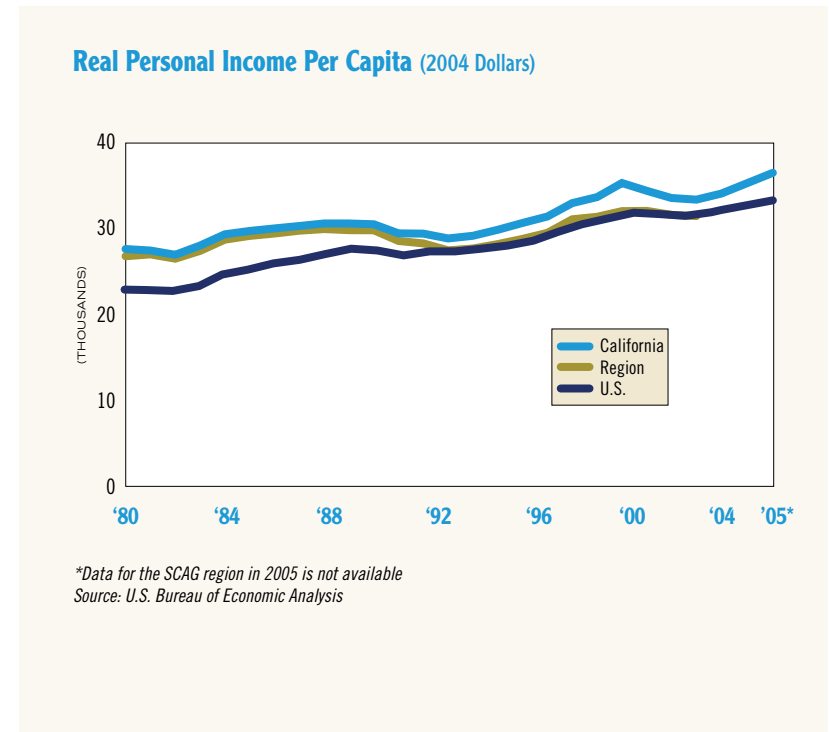
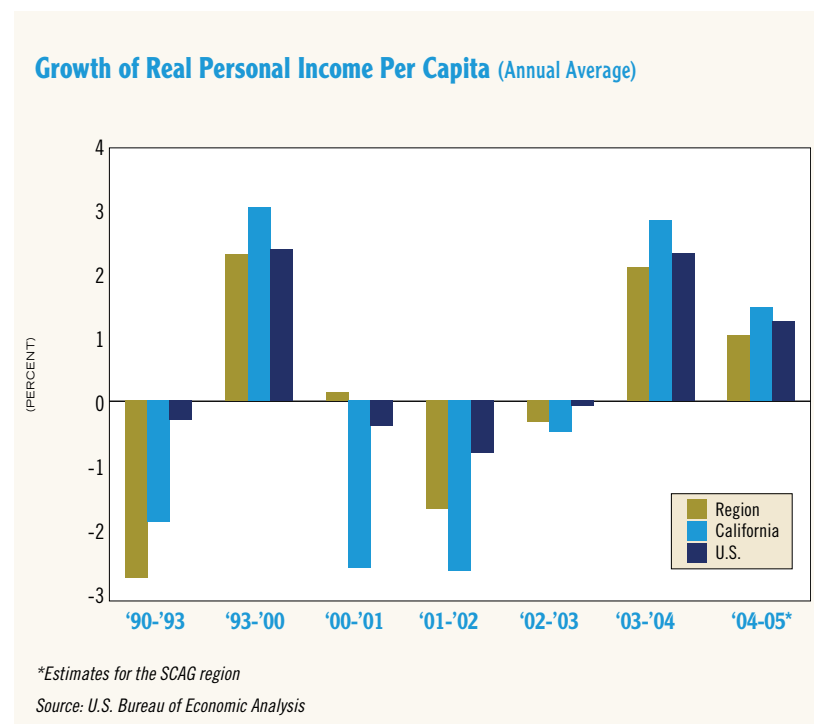


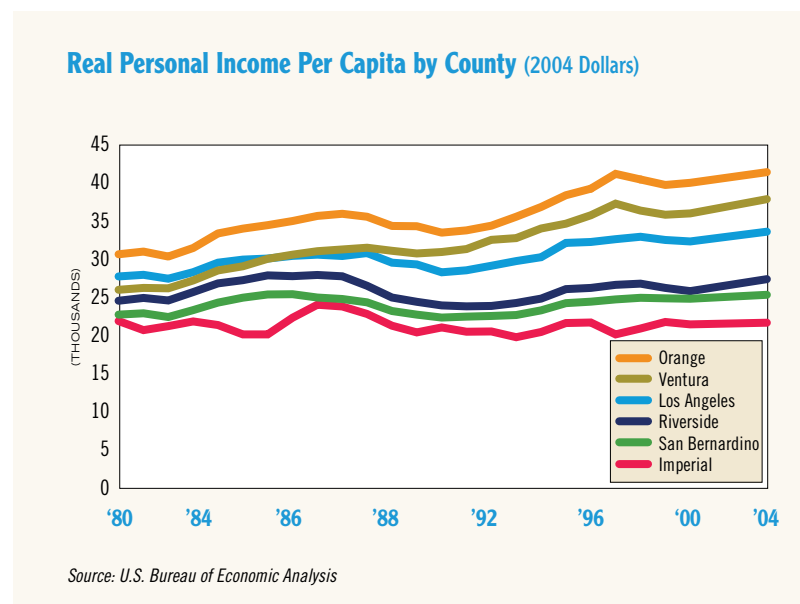
Figure 20



Among the 17 largest metropolitan regions in the nation, the SCAG region continued to rank last in terms of per capita income in 2004 and is estimated to remain there in 2005 (see Figure 86 page 153). Over the past three decades, the SCAG region's per capita income ranking dropped from the 4th highest in 1970 to 7th in 1990, and 16th in 2000. Since 1982, the SCAG region's per

capita personal income has been below the average of the 17 largest metropolitan regions, and the gap had increased until 2000. In 2004, per capita personal income in the SCAG region was 85 percent of the average of the 17 largest metropolitan regions, improving somewhat from the lowest level of 82 percent in 2000 (see Figure 18 page 50).

Figure 21



From 2003 to 2004, real personal income per capita improved in every county in the region except Imperial County (Figure 21). Per capita income in Imperial

County declined slightly by 0.3 percent in 2004. Ventura County achieved the highest rate of growth of 3.2 percent while San Bernardino County increased by only 1.3 percent. In 2004, the real per capita incomes in Imperial and Riverside counties were still lower than their respective 1990 levels. Orange County continued to have the highest per capita personal income (\$41,868) while Imperial County had the lowest (\$21,794).

Total Personal Income

Between 2000 and 2004, the SCAG region performed at a better level in its growth of total personal income than the per capita personal income. During this period, SCAG region's share of the total personal income in the nation increased by 0.22 percent, followed by the Washington D.C. (0.21 percent). Among the nine largest metropolitan regions in the nation, all the other seven experienced declining shares during the four year period (see Figure 87 page 154). The San Francisco Bay Area suffered the worse performance with a sharp decrease of almost 0.53 percent in its share, while the New York region experienced declines of 0.38 percent. However, during the 1990s, the SCAG region suffered the largest loss in its national share of 0.76 percent while the San Francisco Bay Area achieved the largest gain of 0.62 percent. Among the large metropolitan regions, because the SCAG region generally had one of the highest population growth rates, it would generally rank lower when comparing based on per capita instead of total personal income.

Household Income

Household income includes income from all sources for all members of the household. Nationally, real median household income at \$46,242 in 2005 was almost the same as in 2004.⁹ In California, real median household income in 2005 at \$53,629 was 1 percent higher than the previous year. *In 2005, real median household income in the region at \$52,069 declined slightly by 0.5 percent from 2004, following a 2.6 percent gain during the previous period.*¹⁰ Between 2000 and 2005, real median household income increased by only 2 percent in the region while it declined slightly by 1 percent in the nation. Within the region, real median household income declined during the 1990s contrary to the national trend of improvement.¹¹

Income Inequality

One way to measure income inequality is through the household income ratios among households at different percentiles. For example, the income level for the 90th percentile indicates how the highest income group fared in a given year while the 10th percentile indicates the lowest income group. The 90th percentile is the level of income for a given area that 90 percent of households are beneath. The 10th percentile is the level of income that 10 percent of households are beneath. *At the national level, income inequality has been increasing steadily since 1969.*¹² Between 1979 and 1999, the SCAG region generally had a slightly higher income inequality than the nation when comparing household income ratios.¹³ *In 2005, income inequality at the national level remained almost the same as in 2004.*¹⁴ In 2005, the very rich

households (90th percentile) had an income just over 11 times of the income for the very poor households (10th percentile), an increase from just over 10 times in 1995.

Poverty

Why is this important?

The poverty rate measures the proportion of a population that has an income below the poverty line and therefore lacks the economic resources needed to support a minimum acceptable standard of living. The poverty line is adjusted for family size. Poverty not only results in current economic hardship, but also limits an individual's and family's future development opportunities. A higher poverty rate is both a cause, as well as an outcome, of lower educational attainment and higher unemployment rates. The extent of poverty also reflects the need for various kinds of public assistance. Poverty among children is of particular concern. Poverty in childhood is associated with a higher risk for dropping out of school, poor health, teenage pregnancy and a long-term economic disadvantage as adults.

How are we doing?

In 2005, a family of four (including two children) earning less than \$19,806 a year was classified as living in poverty, compared with \$15,720 for a family of three with one child; \$13,078 for a family of two with no children; and \$10,160 for unrelated individuals.¹⁵ Between 2004 and 2005, the poverty rate for all people decreased slightly in the region while it remained unchanged in California and the nation. Nationally, the poverty rate of 12.6 percent in 2005 was not statistically different from 2004 after four consecutive years of increase since 2000. In California, the poverty rate for all people remained unchanged at 13.3 percent in 2004 and 2005.

In the SCAG region, 14 percent of residents lived in poverty in 2005, a slight decrease from 2004 (14.3 percent) though continuing to be higher than that of the state (13.3 percent) and the nation (12.6 percent).¹⁶ In addition, about 20 percent of children under 18 were below the poverty line in 2005, little changed from 2000. The poverty rate was highest for female-headed households (25 percent), and lowest for persons aged 65 and over (8.9 percent). In 2005, the SCAG region continued to have the highest poverty rate (14 percent) for all people among the nine largest metropolitan regions in the nation followed by the Dallas region (13.3 percent), while the Washington D.C. region achieved the lowest poverty rate of only 7.9 percent (see Figure 88 page 154). In 2005, Orange County continued to maintain the lowest poverty rate for all residents within the region of 8.8 percent while Imperial County experienced the highest at 21.5 percent.

Taxable Sales

Why is this important?

Taxable sales provide important revenue sources for state and local governments and special districts. While employment and income are measures on the production side, taxable sales measures the level of consumption activities. Taxable sales tend to follow closely with trends in personal income, job market and consumer confidence.

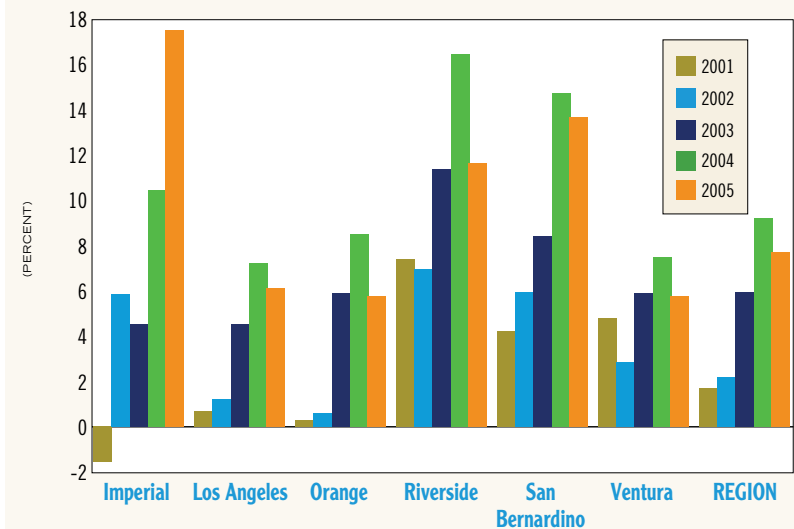
How are we doing?

In 2005, total taxable sales in the region were estimated to increase by more than 7 percent from 2004, slowing down from the almost 10 percent growth between 2003 and 2004 (Figure 22).¹⁷ Nevertheless, the 7 percent rate of growth was still somewhat higher than the average (6 percent) during the past ten years.

From 2000 to 2002, total taxable sales in the region increased by only about 2 percent per year. The wealth effects due to significant increases in home equity, particularly during 2003 and 2004, contributed to the accelerated growth in taxable sales. During these two years, total taxable sales in the region grew 2 to 3 percent above the growth rate of its total personal income. Within the region, Imperial County (17.5 percent) had the highest rate of growth in taxable sales in 2005 followed by San Bernardino (13.7 percent) and Riverside (11.6 percent) counties.

Figure 22

Taxable Sales (Change from Previous Year*)



*Change between 2004 and 2005 is based on data for the first two quarters

Source: California State Board of Equalization

International Trade

Why is this important?

International trade includes export and import activities that create job opportunities and bring income into the region. Though exporting goods produced in Southern California generates higher net economic benefits for

the region, imports can create economic benefits too. The region's role as a major transshipment center linking domestic and global markets is also of national and international significance.



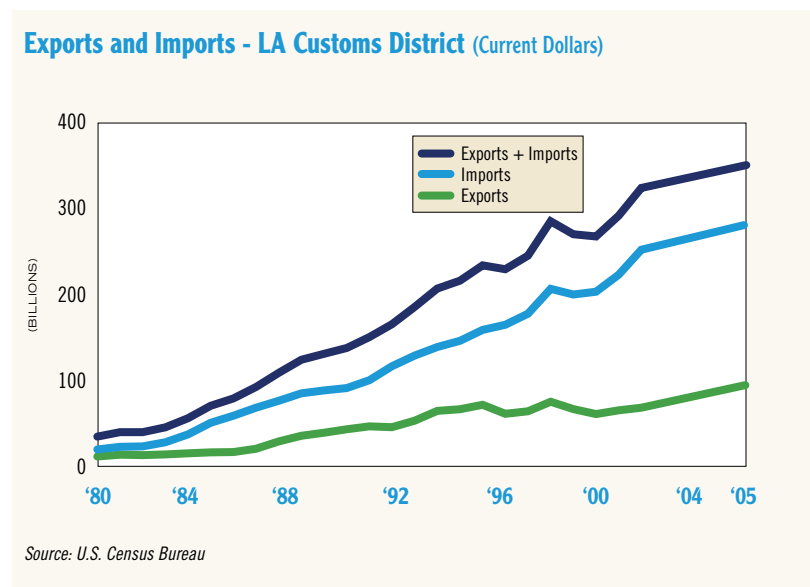
How are we doing?

Between 2004 and 2005, total trade through the Los Angeles Customs District (LACD) increased from \$323 billion to \$348 billion (or 8 percent), a new record level. This was somewhat lower than the 11-percent increase during the previous period (Figure 23). Among the \$25 billion increase, \$18 billion was through imports, and another \$7 billion through exports.

Among the \$348 billion in trade passing through the LACD, imports accounted for 77 percent, exports 23 percent. In 2005, among the \$78 billion exports out of the LACD, almost half (\$37 billion) were by air with the other half by sea. Exports by air are generally smaller and higher value goods. On the other hand, among the \$270 billion imports into the LACD, 86 percent were by sea with the other 14 percent by air.

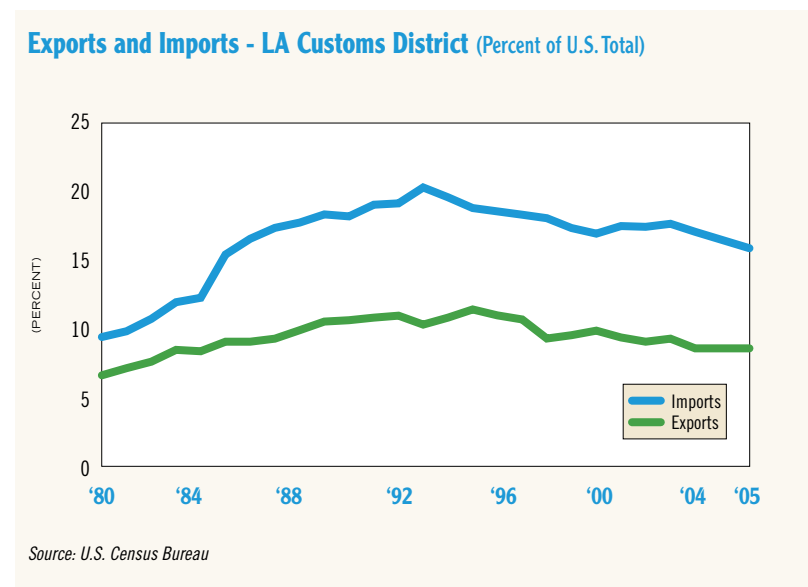
The region's prominence in international trade has been fostered through its large domestic market, global ties through its growing Asian and Hispanic communities, strategic location, and excellent trade infrastructure serving the rest of the nation. Total trade through the LACD increased from less than \$40 billion in 1980 to \$348 billion in 2005, more than an eight-fold increase. The region's direct employment in international trade also increased from about 175,000 in 1980 to 450,000 in 2005, which represents an increase of 45,500 jobs from 2004.¹⁸ Trade jobs are found in a variety of activities, including vessel operation, cargo handling, surface transportation (truck and rail), trade finance, freight forwarding, custom brokerage, insurance, etc.

Figure 23



Between 1980 and 2005, the share of the LACD's trade value of the U.S. total grew from about 8 percent to its peak of 16 percent in 1993 and then began declining to 13.5 percent in 2005. The share of the LACD's export of the U.S. total was just below 9 percent in 2005 while share of imports was about 16 percent (Figure 24). In 2005, the LACD retained the number one ranking in the U.S. in terms of total trade value, followed by the New York (\$286 billion) and Detroit (\$225 billion) customs districts.

Figure 24



Asian countries dominated both imports (86 percent) as well as exports (72 percent) through the LACD.¹⁹ In 2005, China continued to widen its lead as Southern California's leading trade partner, after surpassing Japan in 2002. Total trade value with China through LACD reached over \$109 billion in 2005, a 27 percent increase from 2004 after similar performance in the previous period. Total trade value with China more than doubled the corresponding value with Japan of \$46 billion in second place. Other major trade partners included South Korea, Taiwan and Malaysia.